

Message Text

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ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00

DOTE-00 INR-07 NSAE-00 FAA-00 AID-05 L-03 SS-15 NSC-05

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R 101452Z FEB 76

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 9973

C O N F I D E N T I A L CAIRO 1779

EO 11652: GDS

TAGS: EAIR EG US

SUBJECT: CIVIL AVIATION AFFAIRS: TWA RESTRICTIONS ON ACCEPTANCE

OF PL-480 EGYPTIAN POUNDS

1. DCM WAS VISITED FEB 10 BY TWA CAIRO MANAGER EDWARD CARROLL, ACCCOMPANIED BY HIS SALES MANAGER AND FINANCIAL COMPTROLLER. CARROLL INFORMED DCM THAT HE HAD RECEIVED INSTRUCTIONS FROM TWA HEADQUARTERS IN US TO ACCEPT PL-480 EGYPTIAN POUNDS ONLY IN PAYMENT FOR TRAVEL WHICH ORIGINATES IN EGYPT AND NOT RPT NOT FOR ANY TRAVEL DESITINED FOR OR TRANSITING CAIRO AS HAS BEEN THE CASE IN PAST. A FURTHER RESTRICTION REQUIRED THAT 75 PERCENT OF TRAVEL ORIGINATING IN CAIRO MUST BE ACCOMPLISHED ON TWA FLIGHTS.

2. CARROLL EXPLAINED THAT REASON FOR TWA ACTION WAS EXCESSIVE ACCUMULATION OF EGYPTIAN POUNDS BY CAIRO OFFICE, BECAUSE GOE HAD BEEN UNWILLING TO ALLOW AUTHORIZED AMOUNTS TO BE TRANSFERRED INTO DOLLARS. COMPTROLLER INDICATED THAT TWA CAIRO NOW HELD LE ONE MILLION OF WHICH LE 850,000 ARE ELIGIBLE FOR TRANSFER INTO DOLLARS.

3. DCM EXPRESSED DISMAY AT ABRUPTNESS OF ANNOUNCEMENT AND IMMEIDATELY ASKED THAT CARROLL REQUEST HIS US CONFIDENTIAL

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OFFICE TO DELAY APPLICATION OF THIS RESTRICTION AT

LEASET UNTIL MARCH 1-- SO THAT THIS MATTER COULD BE REPORTED TO WASHINGTON AND BE PROPERLY REVIEWED. HE NOTED THAT THIS ACTION WOULD NOT ONLY HAVE AFFECT ON TRAVEL USG OFFICIALS TO EGYPT BUT WOULD ALSO HAVE MAJOR IMPACT OF TRAVEL OF USG AND USG-SPONSORED PARTICIPANTS IN WHOLE RANGE OF PROJECTS CONDUCTED IN EGYPT UNDER SPECIAL FOREIGN CURRENCY FUND PROGRAM. THESE PROJECTS CONTRIBUTED HEAVILY TO EXTENSIVE BILATERAL COOPERATION BETWEEN EGYPT AND US WHICH TAKES PLACE UNDER AUSPICES OF JOINT COMMISSION AND ITS JOINT WORKING GROUPS. IT WAS HIS UNDERSTANDING THAT FUNDS BUDGETED FOR TRAVEL UNDER SFCF DID NOT PROVIDE DOLLARS FOR TRAVEL. THEREFORE, THIS ACTION COULD HAVE ALMOST IMMEDIATE IMPACT UPON US-GOE RELATIONSHIP AND GOE REACTION TO IT COULD NOT BE PREDICTED. MOREOVER, DCM NOTED THAT EMBASSY HAD JUST RECENTLY REQUESTED FURTHER SIX-MONTH DELAY IN APPLICATION OF PROPOSED GOE CIVIL AVIATION RESTRICTIONS ON NUMBER OF TWA FLIGHTS DUE TO GO INTO EFFECT MARCH 1. CARROLL AGREED TO REQUEST DELAY AND REPORT POINTS MADE ABOVE.

4. DURING DISCUSSION WHICH ENSUED, TWA OFFICIALS INDD THIS SITUATION COULD BE AVOIDED IF GOE WOULD AT LEAST ALLOW TRANSFER OF \$1 MILLION (APPROXIMATELY LE 400,000) OF EGYPTIAN POUND ACCUMULATION NOW IN TWA HANDS. ANOTHER SOLUTION TO THE PROBLEM COULD BE INCREASE OF PRESENT 10 PERCENT SURCHARGE TO 25 PERCENT ON TICKETS PURCHASED IN EGYPTIAN POUNDS. FUNDS THUS ACCUMULATED COULD BE USED TO MAKE UP UNFAVORABLE GAP IN EXCHANGE RATE FOR DOLLARS OBTAINED ON PARALLEL MARKET. COMPTROLLER ALSO INQUIRED WHETHER USG COULD AGREE TO PAY PREMIUM RATE FOR TWA TICKETS BASED ON TOURIST RATE OF 57 PIASTERS TO ONE DOLLAR RATHER THAN PRESENT 43.8 PIASTERS TO DOLLAR IATA RATE. (DCM NOTED THAT IT WAS UNLIKELY USG WOULD BE WILLING TO PURCHASE TICKETS AT A DISCRIMINATORY RATE). (FYI: IN DISCUSSION ON POSSIBLE ALTERNATIVES FOR USG AIR TRAVEL TO EGYPT ON EGYPTIAN POUND ACCOUNT, IT DEVELOPED THAT CONFIDENTIAL

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THERE WAS CONCERN ON PART OF TWA OFFICIALS OVER POSSIBILITY ARRANGEMENTS MIGHT BE MADE WITH PAN AM TO ACCEPT LE PAYMENT FOR AIRLINE TICKETS WHICH WOULD PERMIT DIRECT TRAVEL FROM NY TO ROME ON US AIRLINE WITH FINAL PORTION OF TRAVEL EITHER TO BE MADE ON TWA OR, IF REGULATIONS WERE TO PERMIT, ON EGYPТАIR OR OTHER FOREIGN AIRLINE ACCEPTING LE PAYMENT. TWA CAIRO OFFICIALS APPARENTLY FEEL THAT PAN AM

WOULD BE WILLING TO TAKE OVER EGYPTIAN POUND
BUSINESS IN ORDER TO IMPROVE ITS LOAD RATIO
WHICH IS STILL INFERIOR TO TWA ON ATLANTIC FLIGHTS.
END FYI).

5. ACTION REQUESTED: EMBASSY RECOMMENDS THAT DEPT
IMMEDIATELY TAKE UP THIS MATTER WITH TWA MAIN
OFFICE IN ORDER TO FORESTALL THIS ARBITRARY CHANGE IN
EXISTING ARRANGEMENTS FOR PURCHASE OF AIRLINE
TICKETS IN EGYPTIAN POUNDS. IF DEPARTMENT AGREES,
EMBASSY WOULD BE WILLING TO MAKE REPRESENTATION
TO MINFIN REQUESTING THAT AT LEAST \$1 MILLION OF
FOREIGN EXCHANGE BE PROVIDED TWA FOR CURRENCY TRANSFER ALTHOUGH
GIVEN FOREIGN CURRENCY SHORTAGE, THIS MAY HAVE LITTLE EFFECT.
IF TWA CONCURS WITH JUDGMENT OF TWA CAIRO
OFFICE THAT 25 PERCENT SURCHARGE WOULD BE HELPFUL IN
ALLEVIATING TWA LE ACCUMULATION PROBLEM, EMBASSY
COULD ALSO PRESS MINFIN TO SEEK URGENT CABINET
APPROVAL FOR SURCHARGE INCREASE. (THIS PROPOSAL
HAD BEEN PREPARED AND ENDORSED BY MINFIN LAST SUMMER,
BUT EMBASSY UNAWARE OF ITS FINAL DISPOSITION, IF ANY).
IN ANY EVENT, DEPT SHOULD STRESS SERIOUS IMPACT
ON ON-GOING BILATERAL COOPERATION BETWEEN EGYPT AND
USG WHICH WOULD ENSUE IF THIS NEW REGULATION WERE
PUT INTO EFFECT.
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